

Mayor Bloomberg takes ax to New York City budget

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New York's Mayor Michael Bloomberg Thursday unveiled a package of cuts in services to the city's neediest that is designed to close a \$1.1 billion budget gap in what remains of the current fiscal year. At the same time, he proposed billions of dollars more in cuts and regressive tax hikes to deal with next year's projected deficit of \$6.4 billion and similar shortfalls for the foreseeable future.

These emergency measures are the billionaire Republican mayor's response to the worst fiscal crisis since the city teetered on the edge of bankruptcy 25 years ago. The protracted slump on Wall Street has severely slashed revenues, even as the ranks of the city's homeless and jobless have swelled dramatically, increasing the need for aid. Wall Street's profits have fallen from \$21 billion to barely \$8 billion, while more than 132,000 jobs have been wiped out in the last year.

"The pain of balancing the budget is going to be on everybody," Bloomberg declared at a City Hall press conference where he presented the deficit reduction proposal. In reality, the cuts will fall overwhelmingly on the poor and the working class who make up the great majority of the city's population and who depend disproportionately on city services. New York's wealthy elite will feel no pain from cuts in public schools and social services that they do not use.

Among the planned cuts:

- * Thirty-two senior citizen centers are facing closure by June 2004, and the city is also planning to halt meals for the elderly on weekends. In addition, every senior center in the city would be closed one day each week.

- * \$215 million is to be slashed from the city's already under-funded and overcrowded schools. The cuts are expected to decimate after-school programs, reduce counseling and result in the elimination of several hundred jobs, some through layoffs. At his inauguration in January, Bloomberg proclaimed himself the "education mayor."

- * Child welfare is facing some of the most severe cuts, while the administration is also proposing the elimination of 2,500 day care slots.

- * Hailed as heroes after September 11, the Fire Department has not been spared the budget ax. Seven engine companies and one ladder company are to be closed down, while the department is also cutting 49 five-man engine companies back to four firefighters each. The result will be a slower response to fires and greater danger to the lives of both firefighters and civilians.

- * Overall, the city aims to reduce its workforce by at least 5 percent, or 12,000 jobs. While Bloomberg has claimed he can carry out these job cuts through attrition and early retirement, he has also threatened layoffs unless city employee unions come up with \$600 million in productivity increases and other concessions. Bloomberg also ruled out negotiating any retroactive pay hikes in future contracts, insisting that any raises must be immediately offset by union concessions.

Layoffs have already begun in some agencies. The Sanitation Department announced that 103 heavy equipment operators and other employees at the Staten Island landfill will lose their jobs at the beginning

of next month, the first such downsizing in the municipal workforce in a decade. While the landfill officially closed in March 2001, it was reopened after the September 11 terrorist attacks to handle the debris from the World Trade Center. The city had promised those who worked there that they would get other jobs once that grim task ended.

Another area facing a budget attack is public transit. The Metropolitan Transportation Authority, facing a \$663 million deficit, has asked its various divisions, including the city's Transit Authority as well as the commuter railroads, to propose an additional 5 percent in cutbacks, to save about \$200 million. The proposed cuts would take effect in the 2003-2004 fiscal year, and could mean major reductions in service. Ridership on the subways and buses has grown significantly in recent years, partly as a result of the introduction of unlimited fare Metrocards. Cutbacks in train and bus service will create immediate problems. The MTA is also signaling a major fare increase. In all likelihood it will go from \$1.50 to \$2.00 in the next year.

Another proposed cutback would eliminate the free and half-fare transit passes for many New York City schoolchildren. One means of saving millions of dollars would be to increase the distance between home and school before students are eligible for the special Metrocards they currently receive. Elementary school students, for instance, currently get free passes if they live 1.5 miles or more from their schools. This distance could be increased to 2 or 2.5 miles, meaning families would have to come up with an additional \$750 a year per student.

These are only a few of the many service reductions that are now being considered. Others include slashes in asthma prevention programs, tuberculosis control, infant mortality programs, twice-weekly residential garbage pickup and some school bus routes.

While Bloomberg's plan calls for the postponement of a police academy class, meaning that fewer cops will be deployed than previously planned, the mayor vowed that the city's "quality of life" policing aimed at the poor and homeless would continue. "We're not going to have people just loitering in the streets," he said. Recently reported Police Department figures indicate a sharp increase in arrests of the homeless, whose numbers have grown with the deepening recession. According to the New York Police Department (NYPD), cops arrested 580 homeless people in the month ending November 11, compared to 288 during the same period last year.

On the revenue side, Bloomberg is proposing a massive 25 percent increase in property taxes, a levy that will translate into a greater burden on small homeowners as well as a sharp increase in rents. For commercial properties, the cost will be passed on, at least in part, in the form of higher prices for consumers.

Also included in the plan is the revival of a so-called commuter tax on the income of suburban residents who work in the city. The State Legislature abolished the tax three years ago as Democrats and Republicans vied for hotly contested suburban seats by promoting anti-tax demagoguery. The mayor's proposal calls for a taxation level four times as

high as it was then. For the most part, this tax will fall on working class and middle class employees who are already confronting sharp increases in property taxes that are being enacted in deficit-ridden districts in Long Island, Westchester County and New Jersey.

For all the talk about “sharing the pain,” the city’s super rich, like Bloomberg himself, will suffer no loss from the plan and, indeed, will benefit from a substantial windfall. The proposal calls for a flat reduction in personal income taxes for city residents. While those earning \$30,000—the majority of the city’s population—would save just \$83 a year from this proposal, the CEOs and Wall Street moguls making \$1 million annually would cut their taxes by \$13,700 annually. Bloomberg rejected any increase in taxes on the wealthy, claiming it would drive millionaires out of the city and reduce “job creation.”

Both Republican Governor George Pataki and the Republican leadership of the State Senate have indicated they will block any revival of the commuter tax. Its inclusion in the proposal is essentially a ploy aimed at setting the stage for even deeper budget cuts yet to be announced. Bloomberg will then insist that he tried to avoid slashing services by means of the tax, but that state officials failed to cooperate.

Other parts of the budget proposal are no less dubious. It calls for the state to pick up substantial costs, but the slump on Wall Street has had just as great an impact on the state budget, with projections of a deficit now reaching as high as \$10 billion. Similarly, calls for help from Washington will likely fall on deaf ears, given mounting deficit crises for every local and state government as well as for the federal government itself.

The Bloomberg administration has also sought another \$1.5 billion in long-term deficit financing to plug the deficit hole. This brings the city’s annual debt service costs to a staggering \$3.69 billion, or more than 16 percent of city revenues in 2003. The ballooning of debt payments will only cut deeper into funding for vital social services.

The grim fiscal situation received virtually no attention in the just-concluded New York state election campaign. There were no citywide offices at stake, with Bloomberg having won last year and not facing a new vote until 2005. On the state level, however, the Republican incumbent, Pataki, won a third term in a three-way governor’s race. The two major challengers were Democrat H. Carl McCall, the outgoing state comptroller, who received 33 percent of the vote, and Independence Party candidate Thomas Golisano, a millionaire businessman from upstate Rochester, who won 14 percent. Voter turnout was barely one-third of those eligible to cast ballots, and as low as 20 percent in many of the poorest working class areas.

The budget figures were no secret before the November 5 election day. Bloomberg, in fact, took measures in the weeks leading up to the vote that made the depth of the crisis all too clear. A hiring freeze was put in place, and the mayor instructed all city agencies to come up with additional spending reductions of 2 percent on top of the 7.5 percent in spending cuts requested several months ago.

Neither Pataki nor McCall, however, made any concrete proposals for dealing with either the city’s crisis or the state’s deficit. Both Democrats and Republicans were anxious to conceal the depth of the crisis from the electorate and the attacks on social services that were being prepared.

Golisano, running a Perot-style campaign, was alone in raising budget issues. Attacking both his rivals from the right, he demanded that the deficits be cut by removing more than 500,000 people from the state’s Medicaid rolls, slashing education spending, cutting workers’ compensation and other employer costs, and barring undocumented immigrants from receiving state services. It now appears likely that Pataki will carry out cuts of the same magnitude.

In the fiscal crisis of the 1970s, New York City’s unions rushed to prop up the city’s tottering financial system, making huge concessions and opening up their pension funds to balance the city’s budget and bail out the banks. This time around they have contributed to the budget crisis

through political deals that have strengthened the politicians who will now carry out the cutbacks.

Most notably, Dennis Rivera, head of the hospital workers union, 1199/SEIU, and long-regarded as among the most “left” in the AFL-CIO hierarchy, struck a cynical quid pro quo arrangement with Pataki. Rivera gave the Republican incumbent the union’s endorsement—traditionally reserved for Democrats—in return for state funding for hospital workers’ raises. The money for these pay hikes was taken from a tobacco suit settlement that had been earmarked for public health care programs for the poor.

Similarly, the United Federation of Teachers, representing New York City school teachers, threw its support behind Pataki after the governor arranged for a one-time infusion of funds into the city’s Education Department for pay increases. Forced to carry out sweeping cutbacks in the schools because of the fiscal crisis, the city has no funding source to continue the pay increase into the second year of the union’s contract.

Largely ignored in the current budget crisis are the policies that helped produce it. While Wall Street’s protracted bear market has dried up a crucial source of city revenues, the catastrophe facing the city is also the product of the continuous tax cuts and concessions to Wall Street and big business implemented during previous administrations, particularly the eight-year reign of Republican Mayor Rudolph Giuliani.

The supposed successes of the Giuliani administration—in particular the drop in violent crime—were largely a byproduct of the Wall Street boom. During the same period, Giuliani implemented one tax cut after another, combined with “business retention” handouts to corporations, claiming that the policy was creating jobs. In reality, most of these cuts were carried out after the bulk of the new jobs in the city had been created. Since then, many of the corporations that benefited from this windfall have carried out massive layoffs.

It is estimated that personal and business tax cuts enacted over the past six years alone are now costing the city \$2.6 billion in annual revenues. These cuts were crafted to ensure that the lion’s share went to the city’s wealthiest. Business tax cuts total nearly \$650 million, while more than 25 percent of the savings from the elimination of the personal income tax surcharge went to the small number of households earning over a million dollars a year. Those averaging \$33,000, meanwhile, got nothing.

While hailed in the media as a “hero” and “America’s Mayor,” the present fiscal crisis exposes Giuliani’s real legacy to the city—a profound economic crisis and unprecedented social polarization between rich and poor.



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